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GIBSON SUPPORTS ENTERPRISE ZONE CONCEPT
TO REVITALIZE DISTRESSED AREAS

Mayor Kenneth A. Gibson, in a written statement to the U.S. House of Representatives Committee on Ways and Means, has offered his support of the concept of urban enterprise zones as a means to revitalize distressed areas, while at the same time expressing reservations about the utility of tax incentives as a useful tool to attract businesses to these areas.

The statement was issued in lieu of a personal appearance at the request of Congressman Frank J. Guarini (D-14th District) so that the Mayor's views could become part of the congressional record for the Committee's hearings on tax incentives targeted to distressed areas.

Gibson suggested that the criteria for determining what areas could be classified as "distressed" should be contingent upon such factors as "unemployment, number of residents below poverty level, number of AFDC (Aid to Families with Dependent Children) families, number of available jobs per 100 population, number of jobs lost, and other poverty and unemployment data."

Gibson then addressed the two options that are currently under consideration for assisting in the revitalization of distressed areas-- tax incentives and urban enterprise zones, the latter being a concept that is being discussed on both the federal and state levels.

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"The tax incentives most likely to aid in the revitalization of a distressed area are those most affecting businesses within the area and businesses which potentially would locate to that area," Gibson stated. While agreeing that a reduction in corporate income tax and new jobs credits is attractive, Gibson noted that this "would only benefit rather large corporations which show taxable profits. The majority of new jobs in this country are created by small businesses. Most small businesses do not show any profits for the first few years of operations; therefore, such tax incentives are of minimal use in creating new jobs and revitalizing urban areas."

Gibson explained that a more important tax incentive would be property tax breaks which can only be granted by municipalities. "Property taxes impact all businesses and are likely to be one of the major factors in deciding where a business will be located," Gibson stated.

Other factors that are considered by businesses in planning site relocation include the municipality's ability to provide basic services (police, fire, sanitation) and adequate infrastructure services (good roads, bridges, sewers), as well as the availability of a trained, able work force. It was with these areas that Gibson felt the federal government could be most helpful in providing incentives to attract new businesses and jobs to distressed areas.

Gibson outlined a suggested urban enterprise zone program that would address the type of aid he felt the federal government could provide that would be more effective in assisting distressed areas.

Such a program would:

1. Provide reimbursement to local governments in enterprise zones which grant property tax abatements (thus assisting the municipalities who would lose property taxes through the use of abatements).
2. Provide special funding to local governments in enterprise zones to pay for added police, fire, and sanitation services, as well as infrastructure repairs.
3. Fund extensive job training programs and educational enrichment programs to ensure a trained, educated, high quality labor pool.

"If properly implemented," Gibson continued, "this enterprise zone program would work well and achieve its goals. Mere tax incentives are a shoddy, poor substitute for urban aid and will not ameliorate the problems confronted by ailing urban areas or by industry and commerce."

In support of his preference of the enterprise zone over the tax incentive concept, Gibson stated that "the federal government would be saving money in the short term by only sacrificing nominal revenues lost by tax incentives opposed to the larger costs of real and meaningful urban aid. In the long run, such savings are folly and must be measured in the human costs incurred by reduced urban aid. Tax incentives can never take the place of direct spending in addressing problems of distressed areas.

"The fairness of using special tax incentives in a limited number of distressed areas is the same as the fairness of having unemployment, welfare, substandard housing and the plethora of other urban problems in a limited area," Gibson continued.

In closing his statement, Gibson urged the legislators not to be fooled into thinking that tax incentives will even put a dent in reversing the economic deterioration that is occurring in urban areas throughout the country. "Giving local governments the tools and funds to solve their own problems is the only serious solution to this problem," Gibson stated.

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